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F. C. I. News Letter

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The FEDERAL CROP INSURANCE CORPORATION

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Washington, D. C.

Number 16

News Letter is designed to inform field workers of the AAA and FCIC of developments in the crop insurance program and is not for general distribution

OVER 272,000 PAYMENTS

RECEIVED BY OCTOBER 5

Since the progress report dated September 14 was sent out in the last issue of News Letter, the number of premium payments received by the Corporation has increased by approximately 150,000, bringing the total as of October 5 up to 272,392. This figure is by no means complete, even from the winter wheat States where September 30 was the deadline for acceptance of premiums, because many applications are still being processed. Comparatively few spring wheat growers have insured as yet, which strongly supports the prediction that well over 300,000 wheat growers will insure their crop to be harvested in 1940.

By comparing the tabulation on page two with the one on page three, the reader will note that practically all of the winter wheat States have doubled or tripled last year's participation. Nebraska, the honor State so far this year for premiums sent in, has more than quadrupled last year's business. Delaware has sent in 471 payments compared with only 79 last year. Kansas, with 3,755,522 bushels, has contributed more to the insurance reserve than any other State, or, to state it another way, Kansas' premium bushels so far this year equal a figure more than half as large as the total wheat reserve of 1939.

This greatly increased sign-up over 1939 is generally conceded to be attributable to the greater efficiency of county committees in administering a "stream-lined" program; wheat farmers everywhere have now had an opportunity to see how crop insurance works and naturally understand it better; and the fact that growers this year may pay premiums through an advance against payments to be earned under other provisions of the Agricultural Adjustment Administration program.

For complete figures by States on the status of 1940 premium payments and 1939 indemnities, see pages two and three.

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DAMAGE TO CROPS HEAVY

IN HILL COUNTY, MONT.

J. R. Brownlee, chairman of the ACP committee in Hill County, Mont., reports that on September 15, 35 insured wheat growers in his county had received more than 18,400 bushels of indemnity wheat from the Corporation. "Most of these losses," he said, "were in spring wheat where insect damage had been heavy, but many fine stands of winter wheat were cut down by hail just before harvest, and drought sharply reduced yields in both winter and spring wheat areas." Chairman Brownlee said the biggest loss paid by the Corporation in Hill County was to C. B. Lineweaver of Iverness, who suffered a total loss on 160 acres. "Wind erosion," he said, "caused most of the loss, while grasshoppers and drought destroyed the rest of the crop." Hill County's second largest loss, 1,067 bushels, was on the 202-acre farm of H. L. Angus at Rudyard, where hot dry weather and grasshoppers caused total destruction.

Combined branch office report on 1940 premium collections
as of October 5, 1939

State	Premiums	Premium	Estimated insured -	
	collected (number)	payments (bushels)	Acres	Bushels
Washington Branch Office:				
New York	757	5,342	7,767	112,692
New Jersey	81	462	924	13,999
Pennsylvania	4,873	32,327	58,516	871,751
Maryland	1,088	14,075	27,430	382,551
Delaware	471	4,385	9,770	124,747
Virginia	1,012	8,821	17,642	217,825
North Carolina	152	802	1,604	16,084
Total	8,434	66,714	123,653	1,739,649
Chicago Branch Office:				
Illinois	13,843	217,602	227,350	2,766,117
Indiana	27,239	294,000	297,831	3,796,837
Iowa	6,977	102,020	90,641	1,198,732
Kentucky	926	15,537	15,391	155,503
Michigan	15,801	92,181	129,951	1,861,428
Ohio	27,046	301,152	266,888	3,713,236
Tennessee	241	3,005	4,816	41,686
Total	92,073	1,025,497	1,032,918	13,533,539
Kansas City Branch Office:				
Missouri	18,403	233,062	300,846	3,032,895
Nebraska	55,251	2,049,019	1,228,023	12,820,545
Kansas	53,229	3,755,522	2,646,739	21,619,495
Oklahoma	19,593	780,285	838,088	7,161,020
Texas	6,540	869,783	536,030	3,689,118
Colorado	2,486	220,255	122,177	825,720
New Mexico	45	7,623	3,805	19,965
Total	155,547	7,915,549	5,675,758	49,168,758
Minneapolis Branch Office:				
Wisconsin	507	2,983	3,042	35,433
Minnesota	5,613	57,483	57,569	682,825
North Dakota	3	746	439	2,394
South Dakota	6,222	424,029	208,256	1,503,622
Montana	730	126,752	68,151	578,192
Wyoming	873	105,252	68,822	429,533
Total	13,948	717,245	406,279	3,231,999
Spokane Branch Office:				
Washington	1,058	49,457	74,794	1,112,587
Oregon	496	74,373	77,215	975,911
Idaho	653	40,435	43,746	688,113
Utah	183	13,566	15,037	190,138
Total	2,390	177,831	210,842	2,966,749
GRAND TOTAL	272,392	9,902,836	7,449,450	70,640,694

CUMULATIVE REPORT OF INDEMNITY CLAIMS APPROVED FOR PAYMENT
OCTOBER 3, 1939; ALSO POLICIES ISSUED IN 1939

State	Total number of indemnities approved for payment	Total number of policies issued (1939)	Total wheat acreage for which in- demnities are approved	Total indemnities approved for payment (Bushels)
<u>KANSAS CITY BRANCH</u>				
OHIO	1,657	10,269	19,433.9	90,976
INDIANA	2,359	11,146	33,571.1	138,913
ILLINOIS	911	12,170	16,621.2	55,656
MICHIGAN	821	5,043	8,319.3	35,195
IOWA	1,668	4,657	22,789.1	119,480
MISSOURI	2,551	15,783	46,015.3	156,649
NEBRASKA	8,060	13,250	236,217.8	1,174,140
KANSAS	5,215	14,950	389,905.9	1,585,326
OKLAHOMA	2,857	8,639	115,766.1	458,722
TEXAS	2,337	3,667	223,873.1	1,017,686
IDAHO (SOUTH)	59	679	3,185.3	14,976
WYOMING	159	311	10,980.4	58,457
COLORADO	477	1,387	30,012.5	128,760
NEW MEXICO	20	109	2,218.8	13,696
UTAH	76	442	5,926.9	33,896
NEVADA	16	33	300.3	3,018
CALIFORNIA	359	992	37,318.6	228,716
TOTAL	29,602	103,537	1,202,456.1	5,314,264
<u>MINNEAPOLIS BRANCH</u>				
WISCONSIN	42	183	311.8	2,735.2
MINNESOTA	1,054	10,183	20,573.1	71,202.0
NORTH DAKOTA	1,238	27,866	72,854.2	228,470.0
SOUTH DAKOTA	4,352	10,690	178,693.9	912,006.0
MONTANA	236	5,089	21,252.8	100,103.8
IDAHO (NORTH)	41	957	2,248.4	7,977.0
WASHINGTON	122	1,341	12,134.6	52,310.1
OREGON	125	660	18,226.6	76,103.9
TOTAL	7,210	56,969	326,295.4	1,450,908.0
<u>WASHINGTON BRANCH</u>				
NEW YORK	33	652	493.1	2,687
NEW JERSEY	3	29	43.1	170
PENNSYLVANIA	94	2,301	1,180.1	4,416
DELAWARE	9	79	200.7	518
MARYLAND	125	986	2,597.6	6,106
VIRGINIA	45	916	621.8	2,838
WEST VIRGINIA	0	1	0	0
TOTAL	309	4,964	5,136.4	16,735
KANSAS CITY TOTAL	29,602	103,537	1,202,456.1	5,314,264.0
MINNEAPOLIS TOTAL	7,210	56,969	326,295.4	1,450,908.0
WASHINGTON TOTAL	309	4,964	5,136.4	16,735.0
COMBINED TOTAL	37,121	165,470	1,533,887.9	6,781,907.0

NUMEROUS CHINCH BUGS ARE

GOING TO WINTER QUARTERS

The Corporation has received within the past few weeks a considerable number of reports on losses which show that chinch bugs have been the primary or most common cause of crop losses.

Recent reports have come from important winter wheat States to the Bureau of Entomology and Plant Quarantine showing that chinch bugs are more abundant in the area extending from Indiana through Illinois, Missouri, and southern Iowa, to and including eastern Kansas and southeastern Nebraska, than they have been for some time. Indications on September 25 were that a larger number of these pests were going into winter hibernation than has been the case for a number of years. From some areas comes word that there will be a heavy carryover of adult chinch bugs which, if weather is favorable and no effort is made to destroy them, will be a serious threat to the winter wheat crop next spring.

Although insured wheat growers are protected against losses caused by chinch bugs, it is decidedly to their advantage to do everything possible to reduce this hazard, since losses from any cause make the premium rate go up and the insurable yield down.

County crop insurance workers must realize that the Corporation has an important stake in the insured winter wheat acreage to be harvested in 1940. Although there is no one means or combination of means that will entirely eliminate chinch-bug damage, a great deal can be done to lessen the damage done by them. Some measures that will greatly reduce infestation from year to year are to grow crops or mixtures of crops that are immune or resistant to chinch bugs; modification of farm practices to prevent infestation; and the use of barrier traps to kill the bugs while they are migrating from small grains to corn or other susceptible crops. The most effective practice to follow in any given area can be ascertained from the county agent or the State agricultural experiment station. Any measures that may be taken this fall to destroy bugs while in their hibernation quarters should have the approval of the State committee, to see that they do not conflict with recommended practices for which soil conservation payments are being earned.

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ALL-RISK FEATURES OF FCI

VALUABLE TO DAKOTA FARMER

Despite the fact he paid a high premium for his protection and will collect only about 31 bushels as an indemnity, Warren O. Larson of Plankinton, S. Dak., is convinced the Federal Crop Insurance Corporation's program is all right and is going to insure the wheat crop on his 880-acre farm for 1940. "Why, it protects you from so many hazards. That's what I like about it," said Larson. "And we sure have 'em here in this country. It's a darn nice feeling in the early summer when things look bad, to realized that your crop is insured and you are going to get something regardless of what happens because of the weather."

Mr. Larson, living in a high-risk area, paid a premium of two and two-tenths bushels of wheat an acre to insure his 97 acres of wheat for a guaranteed yield of 795 bushels. Drought has been a big factor in losses in the Plankinton area, resulting in higher-than-average premium rates. "But," he added, "Considering all you are protected against, I don't figure that it costs so much."

VISUALLY SPEAKING!

I. M. Ingham, secretary of the Franklin County (Washington) Agricultural Conservation Association, sends out pictures of how wheat farmers have always worried about what may happen to their crops between seeding and harvest. We submit a reproduction of one of his sketches below along with the appropriate text matter he used to go with it:



"The above scene illustrates what a great many WHEAT FARMERS in these parts have been going through during the past few weeks of DROUGHT We can't blame them for worrying either, with the spectre of a CROP FAILURE casting an ugly shadow over their bread and butter. . . After all, what can give a farmer more GREY HAIR AND GRIEF than the worry of crop failure?? And what's a better panacea for this worry than CROP INSURANCE???. . . Plan on protecting your next crop with FEDERAL CROP INSURANCE."

COUNTY COMMITTEE IN IOWA
WANTS CORN CROP INSURANCE

to corn:

Here's what the Cass County (Iowa) Committee has to say regarding the extension of crop insurance

Mr. R. M. Evans, Administrator
Agricultural Adjustment Administration
United States Department of Agriculture
Washington, D. C.

Dear Spike:

We are taking this opportunity to express our views in regard to the possibility of extending crop insurance to apply on corn. There seems to be a growing demand among farmers that the privileges extended to the wheat farmer should also be enjoyed by the corn farmer. We feel that in our county the acreage of wheat planted this fall will not materially exceed the acreage allotments. This is due in no small measure to the fact that we will have about three times the number of insurance policies on the 1940 crop as were written on the 1939 crop.

We believe that if the war continues there will be more danger of overplanting corn acreages next spring than wheat acreages this fall. We sincerely believe that if it were possible to put crop insurance on corn in effect next spring that it would have a stabilizing effect upon the farmer's intentions.... We are offering these views sincerely with but one thought in mind--to make our Program better and of more lasting value.

Yours very truly,

CASS COUNTY COMMITTEE

Clair D. Becker

Christie C. Hansen

George Christensen

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ONE MONTANA COUNTY

GETS 39,000 BUSHELS Up to September 15 the Corporation had paid more than 39,000 bushels of wheat to indemnify 60 wheat growers of Pondera County, Mont., according to L. E. Kane, chairman of the Pondera County ACP committee. Most of the losses were caused by grasshoppers, hail, and drought, he says, and in the territory infested with grasshoppers losses have been large as compared with other areas.

C. A. Youngman of Conrad, Mont., reported the largest loss in the county. On 245 acres he claimed a loss of 4,424 bushels. Hail and drought destroyed almost all of the crop, he being able to harvest only a few hundred bushels. The second largest loss to be paid in Pondera County was for 3,827 bushels to Ralph R. Henry of Prady, whose 300-acre wheatfield was entirely destroyed by drought and grasshoppers. "Both of these men," Chairman Kane said, "are good farmers and followed good farming practices. If it hadn't been for crop insurance, their income would have been cut off by natural hazards all Pondera County farmers have to face every year."

MINNESOTA PROSPECTS

LOOK GOOD--STICKNEY

Charles W. Stickney, chairman of the Minnesota Agricultural Conservation Committee, says that present indications in Minnesota are that there will be a great increase this year over last in the amount of wheat insured. On September 30, he says, 5,320 premiums had been received by the Minneapolis Branch Office to cover insurance on wheat to be harvested in 1940. This includes only a very small amount of spring wheat, since very little work has been done so far in the spring wheat area. Only about 15 percent of the total wheat acreage of Minnesota is planted to winter wheat.

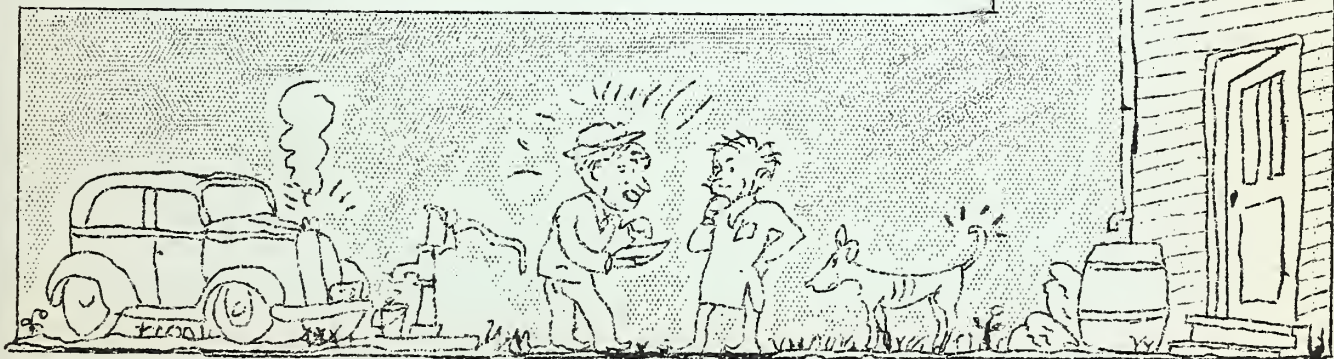
Pointing out the significance of the number of premiums sold this year, Stickney reminds us that last year in Minnesota only 10,154 policies were issued on both winter and spring wheat. Already this year approximately half that amount of insurance has been written on 1940 wheat. Mr. Stickney also reports that on September 30, the State office had received 1,892 indemnity claims under 1939 policies. Of these, 1,614 had been approved for payment.

NOCTURNE A LA NILES!

Mr. Earl Niles, enthusiastic crop insurance supervisor for Aurora County, S. Dak., doesn't limit his selling of crop insurance to daytime alone. He can -- and does -- work just as well at night, as he demonstrated when he got a farmer out of bed and sold him a policy on his 1940 wheat crop.

Niles, with others working on the Triple A program in Aurora County, was returning home late one night from a meeting at which crop insurance and other phases of the farm program had been explained to farmers. They stopped in a farm yard to get some water for the radiator of their automobile and when the owner stuck his head out the window to see who it was, Niles got him to come down. They talked for almost 2 hours and when he left, the farmer had insured his next year's wheat crop.

"I just sold him," he explains. "How? Shucks, you just turn on the air when you run into one of these fellows who is hard to sell."



QUESTION BOX

QUESTION 1: Suppose the wheat crop over the entire country suffers heavy losses so that premiums paid in are not sufficient to meet the losses of insured growers?

ANSWER: The premium rates are based on long-time average "loss costs" and thus over a period of years premiums paid in and indemnities paid out should just about balance. However, they may not balance in any one year, and in such a case the Corporation may use a part of its \$100,000,000 authorized capital, of which \$20,000,000 is available, to balance the wheat reserve, thus assuring all growers that all valid claims or indemnities will be paid.

QUESTION 2: Can a farmer use his insurance contract to obtain credit?

ANSWER: A crop insurance contract may be assigned as security for (1) any loan; (2) the amount of the current year's rental for the farm; or (3) an annual installment due under a purchase, mortgage, or trust agreement in respect to the farm.

QUESTION 3: May a farmer use his insured wheat acreage for pasture?

ANSWER: Yes. However, the contract does not insure against loss in yields caused by overpasturing.

QUESTION 4: Does crop insurance cover the loss in quality of the crop?

ANSWER: Crop insurance is quantity insurance and covers loss in quality only to the extent that such loss--as in the case of rust--reduces the actual yield below the insured yield.

QUESTION 5: Why must an application be filed and the premium paid before the crop is seeded?

ANSWER: In order that the program may be fair to all farmers, it is essential that both the Corporation and the farmer be on the same ground with respect to the prospects of the insured crop. If it were possible to insure a crop after it had been seeded, this would enable some growers to insure only wheat which was deteriorating or was threatened by an immediate hazard. It is important that the program maintain a representative participation and that each farmer be insured on the same basis.

QUESTION 6: How is the cash equivalent of an indemnity determined?

ANSWER: Stated in the simplest form the cash equivalent of an indemnity is the value of the bushels of wheat called for by the indemnity at the current market price. The indemnity is based on the same class and grade of wheat as that for which the grower was insured and on the basis on which he paid his premium.

RIBLIOGRAPHY

CROP INSURANCE: Nature and Farmers Discourage Secretary.
News-Week, Vol. 8, page 12. November 14, 1936.

An account of a pro and con discussion between Secretary Wallace, insurance executives, warehouse operators, and farm spokesmen, about ways to insure the farmer against crop hazards. The objections: Huge losses experienced by private companies; administrative costs too high; no sound actuarial basis; farmers prosperous enough to be good risks would hesitate to insure, while poor ones would rush to get it; premiums prohibitively high because many farmers average only one good crop every 3 years. Secretary Wallace's counter to these doubts: Save in fat years, pay in lean; deal only in crops, not dollars.

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History of Crop Insurance. Farmers' Elevator Guide, Vol. 33, pages 3-4. November 13, 1938.

The author refers to Japan's analysis of agricultural insurance in 1888 and unsuccessful attempts of private companies to insure crops because of lack of adequate crop data and a satisfactory actuarial basis. Describes plan of operation of wheat crop insurance. Shows map of sample county figures for average annual wheat crop loss per acre.

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Insuring the Wheat Crop. D. H. Otis. Banking, Vol. 31, page 64. October, 1938.

This article describes the hazards crop insurance covers, requirements for application, and briefly explains basis for computing premium rates. "Insurance premiums and reserves are both in actual wheat. This provides yield but not price insurance." The author points out how the effect of crop insurance will be beneficial to bankers and businessmen as well as farmers.

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Toward a Stable Wheat Bin. Wallaces' Farmer, Vol. 33, page 1. July 30, 1938.

A discussion of how crop insurance links up with other provisions in the farm program to make one integrated program. The article points out that yield, not price, is insured, and that the program has greater chances for success on a Nation-wide scale than did private companies insuring in small areas.

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ALLOTMENT INCREASED The national wheat-acreage allotment of 62,000,000 acres for 1940 is larger than that harvested in the United States in any year of the war years, 1914 to 1918.

IKE WRITES TO PETE
ABOUT CROP INSURANCE

The following letter is reproduced from the October issue of the Farm Credit Journal, published at Spokane, Washington:

Dere Pete:

Pete, I don't often do this -- I don't think I ever did it to you -- but I got to appologize. I promised you when harvest come on there'd be work for that boy of yours, and now there ain't no harvest nor no work neither.

I was just sitting there in the dining room along about noon one day, reading the farm paper, when my wife says 'Hail!!'

'Don't hail me,' I says, 'I ain't either a dictator or a taxicab.'

'I'm not hailing you, you old goat!!' she screams. 'Look outside at that cloud a-coming. That's hail as sure as you'r a foot high.'



And it was, too, Pete. I never seen so much hail. With good luck none of the stock got hurt, but it laid the wheat down just as flat as the kitchen floor.

So with that my wife begun to cry and I wasn't feeling so good myself, because there was two years work gone to Kingdom Come, and my wife says, 'All our wheat's ruined and we're ruined too.' and I says, 'It ain't that bad. We still got the cows and the chickens and the hogs and each other.'

But the next day we felt better. You remember I told you about that young feller last year talking me into Federal crop insurance on my wheat even before I planted it? Cost me 415 bushels that I couldn't sell for much, and I was supposed to get 1,940 bushels back.

Well, the day after the storm this young feller shows up and looks around, and says, I guess you'r glad you took out this crop insurance, and I says, that's probably why it hailed, but he knew I was kidding, because it was good for freezing or fire, too. So there wasn't a question about it

"IT COSTS SO LITTLE!" Drought killed 132 acres of wheat seeded last spring by Mr. Emil Schermer of Valley City, N. Dak., but he has wheat to sell just the same because his crop was insured with the Federal Crop Insurance Corporation. "It doesn't pay to be without insurance," said Mr. Schermer. "Why, it costs so little. It only cost me a bushel and a half an acre in premiums and I am certainly going to insure my 1940 crop."

Farming 546 acres and milking more than a score of cows, Mr. Schermer grows wheat both for feed and cash. "Crop insurance is the cheapest insurance you can buy," Schermer says. "That's the beauty of it. You can seed your land and be sure you are going to get something. You bet I'm going to insure next year. Having insurance is like working 12 hours a day and doing a good job instead of working 24 hours a day and doing poor work."

Although he seeded 132 acres, Schermer harvested only 611 bushels. But he collected 1,240 bushels, the difference between what he harvested and his insured production, which was 1,851 bushels. His premium was about 200 bushels of wheat.

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EXTEND FCI TO ALL CROPS -- Crop insurance has worked so well with wheat says Mr. Chris L. Blum of Plankinton, S. Dak., that he believes it should be extended to all crops. "That's what we need," he said, explaining that drought wiped out his 65 acres of wheat. His insured production was 390 bushels of wheat and he collected a cash equivalent indemnity of \$150.

"Insurance on wheat is a guarantee. To me it's like that saying, 'a bird in the hand is worth two in the bush'. This insurance sure helps pay my expenses. If we had this kind of protection before we wouldn't have needed seed and feed loans. I'm going to insure again next year."

When Mr. Blum's wheat was wiped out he planted the land to cane for feed for 25 head of steers.

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The AAA farm program provides the machinery for adjusting production of major crops as quickly as necessary to any changes in demand which may occur.

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